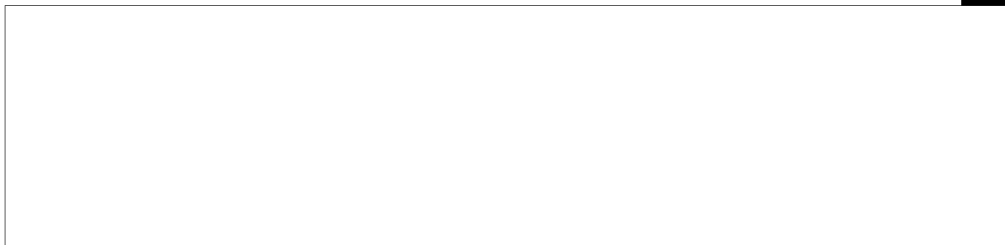




**Director of
Central
Intelligence**

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LATE ITEM

ISRAEL: Terrorist Attack

Israeli troops stormed a building at Misgiv Amm kibbutz, roughly one mile from the Lebanese border in the Golan Heights, that had been seized last night by an Arab guerrilla group. The pro-Iraqi Arab Liberation Front claimed responsibility for the attack, the first successful infiltration since April 1979. According to the Israelis, all five terrorists were killed.

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SITUATION REPORTS

IRAN

The Revolutionary Council's announcement that it will refer the hostage transfer issue to Ayatollah Khomeini reflects the Council's internal divisions. [redacted]

Although Foreign Minister Ghotbzadeh said the Council has made its own decision, it is more likely that it has simply resolved to give Khomeini responsibility for handling the problem. The hardliners on the Council led by Ayatollah Beheshti's Islamic Republic Party this week-end announced their opposition to any transfer of the hostages from the militants' control. One senior IRP official met with Khomeini and said no transfer is likely.

President Bani-Sadr on Saturday reiterated that the hostage crisis is diverting Iran's attention from its enormous domestic and international problems.

Bani-Sadr has endorsed former Irish Foreign Minister MacBride's proposal to try the Shah in absentia and probably is also backing the efforts of Archbishop Capucci, who met with the militants yesterday to urge them to hand the hostages over to the government. Neither alternative appears to enjoy much support from the hardliners in the Revolutionary Council, the militants, or Ayatollah Khomeini.

Relations With Iraq

Relations between Baghdad and Tehran continue to deteriorate. Baghdad radio indicated yesterday that the Iraqi Foreign Minister has urged Tehran to withdraw immediately its forces from several small islands in the Strait of Hormuz occupied by the Shah in 1971. The

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islands--Abu Musa and the Tunbs--have long been disputed by Iran and the United Arab Emirates. Bani-Sadr recently aroused Arab opposition by reiterating Tehran's determination to hold onto them. The Iraqis doubtless hope to rally Arab support in their struggle with Iran by focusing attention on the islands. [REDACTED]

Foreign Minister Ghotbzadeh attacked the Iraqi Government on television last night and indicated that he has told Iranian diplomats to leave Iraq immediately. He also stated that the Iranian and Iraqi peoples would overthrow the Iraqi Government. [REDACTED]

[REDACTED]

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USSR-AFGHANISTAN

Soviet and Afghan media announced Friday the ratification of an agreement setting conditions for stationing Soviet troops in Afghanistan. [redacted]

The agreement, details of which have not been made public, was signed--but not announced--three weeks ago during Afghan Foreign Minister Dost's visit to Moscow. [redacted] the Soviets usually give far more publicity to the signing of a treaty than to its ratification. [redacted] the Soviets may have taken the opposite course in an effort to have the treaty publicly on record with minimum publicity. [redacted]

[redacted] the Soviets are dictating what Afghan newspapers can publish. Items to be given prominent treatment include the traditional and unshakeable Soviet-Afghan friendship, the involvement and heroism of the Afghan Army, comparison of Soviet aid with that of other countries, the limited size of the Soviet contingent in Afghanistan, and Islam in the USSR. The Afghan press has been expressly prohibited from publishing anything about North Korea, presumably because Pyongyang has not endorsed the invasion. [redacted]

Cuban Foreign Minister Malmierca arrived in Kabul yesterday, apparently to continue the mission he undertook last month to mediate differences between Afghanistan and Pakistan. Malmierca's earlier talks with Afghan President Babrak and Pakistani President Zia ended inconclusively. Kabul Radio said Malmierca's mission was linked to the region's "complicated political situation."

[redacted]

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BRIEFS AND COMMENTS

INDIA: Government Crackdown in Assam

The Indian Government on Saturday declared the northeast state of Assam a "disturbed area," permitting the governor of the state to use military force to suppress disorder, and yesterday banned any strikes that would affect essential services. The moves came after more than six months of demonstrations and strikes over the issue of illegal aliens. The government's decision to resort to force if necessary, following a deadlock in negotiations, demonstrates Mrs. Gandhi's resolve to deal firmly with the first challenge to her authority. The agitation in Assam, which has crippled the economy of the oil- and tea-producing state, and unrest in five other neighboring states of northeast India are the most serious internal security problems facing Mrs. Gandhi, but they present no immediate threat to the stability of her government.

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CHAD: Possible Cease-Fire

A cease-fire was agreed upon in Ndjamena yesterday between President Goukouni and Defense Minister Habre, leaders of the two northern factions battling for control of Chad. The cease-fire, made possible by the mediation efforts of Togolese President Eyadema--who arrived in Ndjamena on Saturday--is officially scheduled for Tuesday. An observer team composed of representatives from Cameroon, Nigeria, Liberia, and Togo will supervise the cease-fire until a larger Organization of African Unity force is established. Although Goukouni and Habre have agreed to a truce in principle, their personal animosities could be rekindled and lead to renewed fighting.

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ARGENTINA-USSR: Soviet Delegation

A Soviet commercial delegation scheduled to arrive in Buenos Aires this week will include Victor Pershin, currently head of the Soviet grain-buying agency. The president of the Argentine grain board has speculated that Moscow may request an upward adjustment of a previously agreed corn sales limit or the negotiation of a long-term grain agreement. Pershin recently has been given broader responsibility in Soviet trade matters.

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MEXICO-USSR: Russian Language Training

Mexican Secretary of Defense Galvan has called for Army officers to volunteer for Russian language study, which indicates that some may be sent to the USSR for military training. Mexico has long been considering additional ways to improve Army training methods. The Mexican officer corps, however, generally is opposed to a significant relationship with the Soviets, and any training in the USSR is likely to be limited to a small number of officers.

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SPECIAL ANALYSIS

EGYPT: Foreign and Domestic Perspectives

As the target date of 26 May for conclusion of the West Bank - Gaza autonomy talks approaches, President Sadat seems less optimistic about a successful outcome.

Sadat is under increasing strain as a result of the problems in the negotiations and his protracted isolation from the Arab world. Other Egyptian officials, who are discouraged and frustrated, are examining alternate courses of action. These officials probably have not developed a firm political strategy, however, for dealing with the difficult period ahead. They also must contend with festering domestic problems.

Egypt has little ability to force the kinds of concessions from Israel that it believes are necessary for a West Bank - Gaza agreement acceptable to the Palestinians and other Arabs. Sadat so far has ignored the counsel of some of his advisers to use the normalization process as a lever to induce Israeli flexibility.

Sadat could resort to some dramatic and unexpected policy shifts, but probably not before the results of his talks in Washington are clear and until he becomes convinced that the negotiations are stalled. Despite recent tough statements, Egyptian officials still appear willing to continue the negotiating process beyond the target date in May if real progress is made or appears imminent.

The officials realize that a radical change in direction--such as freezing or abandoning the autonomy talks at this stage--would be an admission that Egypt had chosen the wrong course and would jeopardize Sadat's

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standing with the US and other friendly states. Additionally, Sadat's critics at home and abroad would hold up such a development as proof that his peace policy had failed. [REDACTED]

For the immediate future, therefore, Sadat is likely to pursue less dramatic diplomatic tactics. He may, for example, look increasingly to West European countries for assistance in obtaining greater Israeli flexibility, and over time collaborate more closely with them in the search for possible alternative moves through UN channels. [REDACTED]

The US, however, is still Egypt's primary hope for breaking the diplomatic impasse. While in Washington, Sadat is likely to appeal for an even more active US role in the negotiating process by stressing the regional and international risks of allowing the autonomy talks to fail. [REDACTED]

One of the Egyptian leader's goals probably is to elicit US statements supporting Egypt's position on key issues such as Jewish settlements. These would provide Sadat with the further public evidence he needs to justify his alliance with the US, and could be presented by him as an indication of US willingness to press Israel.

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Domestic Problems

Sadat continues to face a number of potentially serious economic and political problems, but we have noted no significant deterioration in his domestic position over the past months. The opposition remains disorganized and so far has been unable to exploit popular frustrations over inflation, inadequate housing and services, and corruption in government. [REDACTED]

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Nonetheless, these and other problems could become more troublesome for Sadat if the autonomy talks fail. Egyptian acceptance of a partial agreement that contained few tangible gains for the Palestinians and resulted in further economic sanctions against Egypt by the other Arabs would be especially likely to stimulate and perhaps unify Sadat's opponents, as well as risk generating significant public discontent. The arrival of the Shah of Iran, moreover, has added another unsettling element to the domestic political situation. [REDACTED]

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